

## Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 OIC-04 PA-03 PRS-01 USIA-12 RSR-01 /168 W

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R 191835 Z JUN 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5376

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS UNN

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PASS TREASURY, FRB AND CEA

E. O. 11652: N/ A

TAGS: EFIN, EEC

SUBJECT: EC COUNCIL MEETING ( FINANCE MINISTERS) ON JUNE 28

AND EC COMMISSION MONETARY PROPOSALS

1. ACCORDING TO A PERMANENT DELEGATION SOURCE, THE FORMAL AGENDA FOR THE JUNE 28 EC ( FINANCE MINISTERS) MEETING IN LUXEMBOURG WILL COVER ( A) ECONOMIC AND MONETARY UNION, THAT IS, THE COMMISSION'S REPORT ON THE SECOND PHASE ( EC A-186 MAY 11) AND THE QUESTION OF WHETHER OR NOT THE COMMUNITY CAN BEGIN THE SECOND PHASE ON SCHEDULE;

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( B) THE COMMISSION' S PROPOSALS ( STILL IN PREPARATION) ON PARTIAL RESERVE POOLING AND SHORT- TERM MONETARY SUPPORT; AND ( C) THE SHORT- TERM ECONOMIC SITUATION AND ANTI- INFLATION POLICY WITHIN THE COMMUNITY. THE MINISTERS WILL PROBABLY ALSO DISCUSS THE INTERNATIONAL MONETARY SITUATION, THOUGH THIS ITEM IS NOT ON THE AGENDA.

2. WITH REGARD TO THE COMMISSION' S PROPOSALS, OUR CONTACT HAS TOLD US THAT AT THE BANK FOR INTERNATIONAL SETTLEMENTS MEETING IN BASLE ON JUNE 11, EC VICE PRESIDENT HAFERKAMP SAID THE PROPOSALS WOULD CALL FOR A POOLING OF 20 PERCENT OF THE MEMBER STATES' RESERVES AND CONSIDERABLE STRENGTHENING OF THE COMMUNITY SHORT- TERM MONETARY SUPPORT ARRANGEMENTS. ACCORDING TO OUR SOURCE, HAFERKAMP' S PRESENTATION WAS COOLY RECEIVED. ONE OF THE CENTRAL BANKERS PRESENT REPORTEDLY ASKED HIM WHAT WOULD THEN BE DONE WITH SUCH A SUBSTANTIAL RESERVE POOL. HE REPORTEDLY HAD NO ANSWER, APPARENTLY EITHER BECAUSE THERE WAS DISAGREEMENT IN THE COMMISSION AS TO HOW AND FOR WHAT PURPOSE SUCH A FUND WOULD BE ADMINISTERED OR BECAUSE THE QUESTION HAD NOT BEEN THOROUGHLY THOUGHTTHROUGH. CARLI OF THE BANK OF ITALY REPORTEDLY SAID HE ASSUMED THE 20 PERCENT FIGURE WOULD NOT APPLY TO THAT PORTION OF MEMBER STATE RESERVES CONSISTING OF GOLD. ACCORDING TO OUR SOURCE, ONLY WORMSER OF THE BANK OF FRANCE INDICATED SUPPORT FOR THE COMMISSION' S PROPOSALS.

3. OUR SOURCE SUSPECTS THAT THE JUNE 28 TH GATHERING WILL BE A MEETING OF " NON- DECISIONS." HE DOES NOT FORESEE AGREEMENT BY THE MEMBER STATES THAT THE COMMUNITY CAN BEGIN THE SECOND PHASE AT THE BEGINNING OF 1974, NOR DOES HE EXPECT ANY NEW COMMUNITY- LEVEL MOVES ON ANTI- INFLATION POLICY. SINCE SOME MEMBER STATES HAVE PREVIOUSLY CRITICIZED THE COMMISSION FOR LACKING BOLDNESS IN ITS MONETARY PROPOSALS, THE COMMISSION MAY NOT BE TOTALLY WITHOUT SUPPORT AT THE COUNCIL MEETING. IT REMAINS TO BE SEEN, THEREFORE, WHETHER OUR SOURCE' S GLOOMY OUTLOOK WILL BE BORNE OUT. GREENWALD

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 JUN 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973ECBRU03382  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** n/a  
**Errors:** n/a  
**Film Number:** n/a  
**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Line Count:** 104  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** boyleja  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 AUG 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09-Aug-2001 by kellerpr>; APPROVED <13-Sep-2001 by boyleja>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> jms 980218  
**Subject:** EC COUNCIL MEETING ( FINANCE MINISTERS) ON JUNE 28 AND EC COMMISSION MONETARY PROPOSALS  
**TAGS:** EFIN, EEC  
**To:** BONN  
BRUSSELS  
COPENHAGEN  
DUBLIN  
EUR  
LONDON  
LUXEMBOURG

PARIS  
SECSTATE WASHDC

**Type:** TE

**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005